

**TOWN OF PEARL RIVER,  
LOUISIANA**

**Audit of Financial Statements**

**December 31, 2013**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **AUG 13 2014**

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Pearl River, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules beginning on 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary schedule of operating expenses - proprietary fund and the schedule of compensation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedule of operating expenses - proprietary fund, the schedule of compensation, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the Town of Pearl River, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
June 26, 2014

**BASIC FINANCIAL STATEMENTS  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Net Position**  
**December 31, 2013**

**Statement A**

|                                  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|----------------------------------|------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                    |                                    |                                     |                     |
| Cash and Cash Equivalents        | \$ 924,336                         | \$ 1,027,916                        | \$ 1,952,252        |
| Certificates of Deposit          | 775                                | -                                   | 775                 |
| Receivables                      |                                    |                                     |                     |
| Water and Sewer, Net             | -                                  | 41,372                              | 41,372              |
| Ad Valorem Taxes, Net            | 175,150                            | -                                   | 175,150             |
| Sales Taxes                      | 123,676                            | 15,459                              | 139,135             |
| Other                            | 58,344                             | -                                   | 58,344              |
| Internal Balances                | 274,477                            | (274,477)                           | -                   |
| Capital Assets, Net              | 1,091,667                          | 7,651,478                           | 8,743,145           |
| <b>Total Assets</b>              | <b>2,648,425</b>                   | <b>8,461,748</b>                    | <b>11,110,173</b>   |
| <b>Liabilities</b>               |                                    |                                     |                     |
| Accounts Payable                 | 103,147                            | 221,913                             | 325,060             |
| Unearned Revenue                 | -                                  | 37,394                              | 37,394              |
| Accrued Payroll                  | 47,909                             | 3,097                               | 51,006              |
| Accrued Interest                 | 3,480                              | 1,187                               | 4,667               |
| Non-Current Liabilities          |                                    |                                     |                     |
| Due Within One Year              | 31,618                             | 83,225                              | 114,843             |
| Due in More than One Year        | 33,514                             | 1,089,312                           | 1,122,826           |
| <b>Total Liabilities</b>         | <b>219,668</b>                     | <b>1,436,128</b>                    | <b>1,655,796</b>    |
| <b>Net Position</b>              |                                    |                                     |                     |
| Net Investment in Capital Assets | 1,091,667                          | 6,478,941                           | 7,570,608           |
| Restricted                       | 1,007,518                          | -                                   | 1,007,518           |
| Unrestricted                     | 329,572                            | 546,679                             | 876,251             |
| <b>Total Net Position</b>        | <b>\$ 2,428,757</b>                | <b>\$ 7,025,620</b>                 | <b>\$ 9,454,377</b> |

The accompanying notes are an integral part of these financial statements.



**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

**Statement B**

| Functions / Programs   | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                     |
|--|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
|  |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total               |
| <b>Governmental Activities</b>                                 |                     |                      |                                    |                                  |   |                          |                     |
| General Government   | \$ 505,356          | \$ -                 | \$ 2,728                           | \$ -                             | \$ (502,628)                                      | \$ -                     | \$ (502,628)        |
| Public Safety  | 803,459             | -                    | 53,806                             | -                                | (749,653)   | -                        | (749,653)           |
| Public Works   | 645,983             | -                    | -                                  | 18,177                           | (629,808)   | -                        | (629,806)           |
| Recreation   | 65,232              | -                    | -                                  | -                                | (65,232)  | -                        | (65,232)            |
| Interest on Debt   | 3,480               | -                    | -                                  | -                                | (3,480)   | -                        | (3,480)             |
| <b>Total Governmental Activities</b>                           | <b>2,023,510</b>    | <b>-</b>             | <b>56,534</b>                      | <b>16,177</b>                    | <b>(1,950,799)</b>                                | <b>-</b>                 | <b>(1,950,799)</b>  |
| <b>Business-Type Activities</b>                                |                     |                      |                                    |                                  |   |                          |                     |
| Utilities  | 671,679             | 490,116              | -                                  | 468,727                          | -   | 287,164                  | 287,164             |
| Interest on Debt   | 17,073              | -                    | -                                  | -                                | -   | (17,073)                 | (17,073)            |
| <b>Total Business-Type Activities</b>                          | <b>688,752</b>      | <b>490,116</b>       | <b>-</b>                           | <b>468,727</b>                   | <b>-</b>  | <b>270,091</b>           | <b>270,091</b>      |
| <b>Total</b>   | <b>\$ 2,712,262</b> | <b>\$ 490,116</b>    | <b>\$ 56,534</b>                   | <b>\$ 484,904</b>                | <b>(1,950,799)</b>                                | <b>270,091</b>           | <b>(1,680,708)</b>  |
| <b>General Revenues</b>  |                     |                      |                                    |                                  |   |                          |                     |
| Taxes  |                     |                      |                                    |                                  |   |                          |                     |
| Ad Valorem Taxes   |                     |                      |                                    |                                  | 172,791   | -                        | 172,791             |
| Sales Taxes  |                     |                      |                                    |                                  | 1,322,071   | 165,257                  | 1,487,328           |
| Franchise Taxes  |                     |                      |                                    |                                  | 188,799   | -                        | 188,799             |
| Licenses and Permits   |                     |                      |                                    |                                  | 118,767   | -                        | 118,767             |
| Insurance Licenses   |                     |                      |                                    |                                  | 109,362   | -                        | 109,362             |
| Fines and Forfeitures  |                     |                      |                                    |                                  | 208,224   | -                        | 208,224             |
| Investment Earnings  |                     |                      |                                    |                                  | 1,227   | 536                      | 1,763               |
| Other General Revenues   |                     |                      |                                    |                                  | 71,623  | -                        | 71,623              |
| Transfers  |                     |                      |                                    |                                  | (21,713)  | 21,713                   | -                   |
| <b>Total General Revenues and Transfers</b>                    |                     |                      |                                    |                                  | <b>2,171,151</b>                                  | <b>187,506</b>           | <b>2,358,657</b>    |
| <b>Change in Net Position</b>                                  |                     |                      |                                    |                                  | <b>220,352</b>                                    | <b>457,597</b>           | <b>677,949</b>      |
| <b>Net Position, Beginning of Year, as Previously Reported</b> |                     |                      |                                    |                                  | <b>2,208,405</b>                                  | <b>6,572,686</b>         | <b>8,781,091</b>    |
| <b>Cumulative Effect from Change in Accounting Principle</b>   |                     |                      |                                    |                                  | <b>-</b>  | <b>(4,663)</b>           | <b>(4,663)</b>      |
| <b>Net Position, Beginning of Year, as Restated</b>            |                     |                      |                                    |                                  | <b>2,208,405</b>                                  | <b>6,568,023</b>         | <b>8,776,428</b>    |
| <b>Net Position, End of Year</b>                               |                     |                      |                                    |                                  | <b>\$ 2,428,757</b>                               | <b>\$ 7,025,620</b>      | <b>\$ 9,454,377</b> |

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS  
FUND FINANCIAL STATEMENTS**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

**Statement C**

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue Funds</b> |                     | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|----------------------------------|---------------------|---|
|  |                         | <b>Police</b>                    | <b>Street</b>       |   |
| <b>Assets</b>  |                         |                                  |                     |   |
| Cash and Cash Equivalents  | \$ 480,442              | \$ 213                           | \$ 443,681          | \$ 924,336                              |
| Certificates of Deposit  | -                       | 775                              | -                   | 775                                     |
| Receivables  |                         |                                  |                     |   |
| Ad Valorem Taxes, Net  | 102,112                 | -                                | 73,038              | 175,150                                 |
| Sales Taxes  | -                       | 49,470                           | 74,206              | 123,676                                 |
| Other Receivables  | 58,344                  | -                                | -                   | 58,344                                  |
| Due from Other Funds   | -                       | 5,462                            | 441,804             | 447,266                                 |
| <b>Total Assets</b>  | <b>\$ 640,898</b>       | <b>\$ 55,920</b>                 | <b>\$ 1,032,729</b> | <b>\$ 1,729,547</b>                     |
| <b>Liabilities and Fund Balances</b>   |                         |                                  |                     |   |
| <b>Liabilities</b>   |                         |                                  |                     |   |
| Accounts Payable   | \$ 71,131               | \$ 764                           | \$ 31,252           | \$ 103,147                              |
| Accrued Payroll  | 9,641                   | 29,770                           | 8,498               | 47,909                                  |
| Accrued Interest Payable   | -                       | -                                | -                   | -                                       |
| Due to Other Funds   | 163,495                 | 9,294                            | -                   | 172,789                                 |
| <b>Total Liabilities</b>   | <b>244,267</b>          | <b>39,828</b>                    | <b>39,750</b>       | <b>323,845</b>                          |
| <b>Deferred Inflows of Resources</b>   |                         |                                  |                     |   |
| Unavailable Ad Valorem Taxes   | 2,171                   | -                                | 1,553               | 3,724                                   |
| <b>Total Deferred Inflows<br/>of Resources</b>                                 | <b>2,171</b>            | <b>-</b>                         | <b>1,553</b>        | <b>3,724</b>                            |
| <b>Fund Balances</b>   |                         |                                  |                     |   |
| Restricted   | -                       | 16,092                           | 991,426             | 1,007,518                               |
| Unassigned   | 394,460                 | -                                | -                   | 394,460                                 |
| <b>Total Fund Balances</b>   | <b>394,460</b>          | <b>16,092</b>                    | <b>991,426</b>      | <b>1,401,978</b>                        |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <b>\$ 640,898</b>       | <b>\$ 55,920</b>                 | <b>\$ 1,032,729</b> | <b>\$ 1,729,547</b>                     |

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Reconciliation of the Governmental Funds Balance**  
**Sheet to the Statement of Net Position**  
**December 31, 2013**

**Statement D**

---

|   |                     |
|---|---------------------|
| <b>Fund Balances - Total Governmental Funds</b> | <b>\$ 1,401,978</b> |
|---|---------------------|

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the governmental funds:

|                                |             |
|--------------------------------|-------------|
| Governmental Capital Assets    | 2,285,167   |
| Less: Accumulated Depreciation | (1,193,500) |

Long-term liabilities, including capital leases, are not due and payable  
in the current period and, therefore, are not reported in the  
governmental funds:

|                |          |
|----------------|----------|
| Capital Leases | (65,132) |
|----------------|----------|

|  |       |
|--|-------|
| Deferred Inflows - Unavailable Ad Valorem Taxes are not reported on<br>government-wide financial statements. | 3,724 |
|--|-------|

|  |                |
|--|----------------|
| Accrued interest and expenses associated with long-term liabilities<br>are not reported in the governmental funds. | <u>(3,480)</u> |
|--|----------------|

|  |                            |
|--|----------------------------|
| <b>Net Position of Governmental Activities</b> | <b><u>\$ 2,428,757</u></b> |
|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

**Statement E**

|  | General<br>Fund   | Special<br>Revenue Funds |                   | Total<br>Governmental<br>Funds |
|--|-------------------|--------------------------|-------------------|--------------------------------|
|  |                   | Police                   | Street            |                                |
| <b>Revenues</b>  |                   |                          |                   |                                |
| Taxes  |                   |                          |                   |                                |
| Ad Valorem Taxes   | \$ 108,876        | \$ -                     | \$ 71,485         | \$ 180,361                     |
| Sales Taxes  | -                 | 528,829                  | 793,241           | 1,322,070                      |
| Franchise Taxes  | 188,799           | -                        | -                 | 188,799                        |
| Grants and Reimbursements  | 2,728             | 53,806                   | 16,177            | 72,711                         |
| Licenses and Permits   | 101,391           | 14,345                   | -                 | 115,736                        |
| Insurance Licenses   | 109,362           | -                        | -                 | 109,362                        |
| Fines and Forfeitures  | 113,110           | 95,114                   | -                 | 208,224                        |
| Interest Income  | 600               | 22                       | 605               | 1,227                          |
| Other Revenues   | 69,969            | 1,519                    | 3,168             | 74,656                         |
| <b>Total Revenues</b>  | <b>694,835</b>    | <b>693,635</b>           | <b>884,676</b>    | <b>2,273,146</b>               |
| <b>Expenditures</b>  |                   |                          |                   |                                |
| Current  |                   |                          |                   |                                |
| General Government   | 469,985           | -                        | -                 | 469,985                        |
| Public Safety  | -                 | 800,336                  | -                 | 800,336                        |
| Public Works   | -                 | -                        | 572,264           | 572,264                        |
| Recreation   | 53,848            | -                        | -                 | 53,848                         |
| Capital Outlay   | 45,675            | 110,157                  | 119,741           | 275,573                        |
| Debt Service   |                   |                          |                   |                                |
| Principal  | -                 | 35,526                   | -                 | 35,526                         |
| Interest   | -                 | -                        | -                 | -                              |
| <b>Total Expenditures</b>  | <b>569,508</b>    | <b>946,019</b>           | <b>692,005</b>    | <b>2,207,532</b>               |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b>                 | <b>125,327</b>    | <b>(252,384)</b>         | <b>192,671</b>    | <b>65,614</b>                  |
| <b>Other Financing Sources (Uses)</b>                                    |                   |                          |                   |                                |
| Transfers In   | 25,821            | 144,092                  | 12,122            | 182,035                        |
| Transfers Out  | (166,174)         | (11,753)                 | (25,821)          | (203,748)                      |
| Capital Lease Proceeds   | -                 | 100,658                  | -                 | 100,658                        |
| <b>Total Other Financing Sources (Uses)</b>                              | <b>(140,353)</b>  | <b>232,997</b>           | <b>(13,699)</b>   | <b>78,945</b>                  |
| <b>Net Change in Fund Balances</b>                                       | <b>(15,026)</b>   | <b>(19,387)</b>          | <b>178,972</b>    | <b>144,559</b>                 |
| <b>Fund Balances, Beginning of Year, as Previously Reported</b>          | <b>420,780</b>    | <b>35,479</b>            | <b>812,454</b>    | <b>1,268,713</b>               |
| <b>Cumulative Effect of Change from Adoption of Accounting Principle</b> | <b>(11,294)</b>   | <b>-</b>                 | <b>-</b>          | <b>(11,294)</b>                |
| <b>Fund Balances, Beginning of Year, as Restated</b>                     | <b>409,486</b>    | <b>35,479</b>            | <b>812,454</b>    | <b>1,257,419</b>               |
| <b>Fund Balances, End of Year</b>  | <b>\$ 394,460</b> | <b>\$ 16,092</b>         | <b>\$ 991,426</b> | <b>\$ 1,401,978</b>            |

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2013**

**Statement F**

|   |                          |
|---|--------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   | <b>\$ 144,559</b>        |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                          |
| Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital outlays charged exceeded depreciation in the current period.            | 151,975                  |
| Capital lease proceeds are reported as other financing sources in governmental funds and, thus, contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | (100,658)                |
| Repayment of bonds, certificates of indebtedness, and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.   | 35,526                   |
| Accrued interest expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   | (3,480)                  |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds - change in unavailable ad valorem taxes.   | <u>(7,570)</u>           |
| <b>Change in Net Position of Governmental Activities</b>  | <b><u>\$ 220,352</u></b> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Net Position**  
**Proprietary Fund**  
**December 31, 2013**

**Statement G**

|   |                     |
|---|---------------------|
| <b>Assets</b>                                   |                     |
| <b>Current Assets</b>                           |                     |
| Cash and Cash Equivalents                       | \$ 1,027,916        |
| Receivables                                     |                     |
| Water and Sewer, Net of Allowance of \$4,000    | 41,372              |
| Sales Tax                                       | 15,459              |
| <b>Total Current Assets</b>                     | <b>1,084,747</b>    |
| <b>Noncurrent Assets</b>                        |                     |
| Capital Assets, Net of Accumulated Depreciation | 7,651,478           |
| <b>Total Noncurrent Assets</b>                  | <b>7,651,478</b>    |
| <b>Total Assets</b>                             | <b>8,736,225</b>    |
| <b>Liabilities</b>                              |                     |
| <b>Current Liabilities</b>                      |                     |
| Accounts Payable                                | 221,913             |
| Due to Other Funds                              | 274,477             |
| Accrued Payroll                                 | 3,097               |
| Unearned Revenue                                | 37,394              |
| Accrued Interest Payable                        | 1,187               |
| Revenue Bonds and Certificates of Indebtedness  | 83,225              |
| <b>Total Current Liabilities</b>                | <b>621,293</b>      |
| <b>Noncurrent Liabilities</b>                   |                     |
| Revenue Bonds and Certificates of Indebtedness  | 1,089,312           |
| <b>Total Liabilities</b>                        | <b>1,710,605</b>    |
| <b>Net Position</b>                             |                     |
| Net Investment in Capital Assets                | 6,478,941           |
| Unrestricted                                    | 546,679             |
| <b>Total Net Position</b>                       | <b>\$ 7,025,620</b> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Revenues, Expenses and Change in Net Position**  
**Proprietary Fund**  
**For the Year Ended December 31, 2013**

**Statement H**

|  |                     |
|--|---------------------|
| <b>Operating Revenues</b>  |                     |
| Service Fees   | \$ 455,861          |
| Other  | 23,990              |
| Delinquent Fees  | 7,569               |
| Installation Fees  | 1,570               |
| Meter Fees   | 1,126               |
| <b>Total Operating Revenues</b>  | <b>490,116</b>      |
| <b>Operating Expenses</b>  |                     |
| Depreciation   | 272,058             |
| Sewer System   | 183,856             |
| Water System   | 145,686             |
| Administrative and General   | 70,079              |
| <b>Total Operating Expenses</b>  | <b>671,679</b>      |
| <b>Operating Loss</b>  | <b>(181,563)</b>    |
| <b>Non-Operating Revenues (Expenses)</b>                                 |                     |
| Sales Tax Revenue  | 165,257             |
| Capital Grants   | 468,727             |
| Interest Income  | 536                 |
| Interest on Debt   | (17,073)            |
| <b>Total Non-Operating Revenues (Expenses)</b>                           | <b>617,447</b>      |
| <b>Net Income Before Transfers</b>                                       | <b>435,884</b>      |
| <b>Operating Transfers</b>   | <b>21,713</b>       |
| <b>Change in Net Position</b>  | <b>457,597</b>      |
| <b>Net Position, Beginning of Year, as Previously Reported</b>           | <b>6,572,686</b>    |
| <b>Cumulative Effect of Change from Adoption of Accounting Principle</b> | <b>(4,663)</b>      |
| <b>Net Position, Beginning of Year, as Restated</b>                      | <b>6,568,023</b>    |
| <b>Net Position, End of Year</b>   | <b>\$ 7,025,620</b> |

The accompanying notes are an integral part of these financial statements.



**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2013**

**Statement I**

|  |                     |
|--|---------------------|
| <b>Cash Flows from Operating Activities</b>                      |                     |
| Receipts from Customers and Users                                | \$ 488,116          |
| Payments to Suppliers  | (244,871)           |
| Payments to Employees and for Benefits                           | <u>(144,106)</u>    |
| <b>Net Cash Provided by Operating Activities</b>                 | <u>99,139</u>       |
| <b>Cash Flows from Non-Capital Financing Activities</b>          |                     |
| Interfund Transfers and Borrowing                                | <u>21,713</u>       |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>     | <u>21,713</u>       |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                     |
| Purchase and Construction of Capital Assets                      | (1,706,588)         |
| Capital Grants Received  | 813,985             |
| Sales Tax Receipts   | 171,140             |
| Proceeds of EPA Loan   | 804,875             |
| Principal Paid on Capital Debt                                   | (174,059)           |
| Interest Paid on Capital Debt                                    | <u>(19,367)</u>     |
| <b>Net Cash Used in Capital and Related Financing Activities</b> | <u>(110,014)</u>    |
| <b>Cash Flows from Investing Activities</b>                      |                     |
| Interest Received  | <u>536</u>          |
| <b>Net Cash Provided by Investing Activities</b>                 | <u>536</u>          |
| <b>Net Increase in Cash and Cash Equivalents</b>                 | 11,374              |
| <b>Cash and Cash Equivalents, Beginning of Year</b>              | <u>1,016,542</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                    | <u>\$ 1,027,916</u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**  
**For the Year Ended December 31, 2013**

**Statement I**

---

|   |                         |
|---|-------------------------|
| <b>Reconciliation of Operating Loss to Net Cash</b> |                         |
| <b>Provided by Operating Activities</b>             |                         |
| Operating Loss                                      | \$ (181,563)            |
| Adjustments to Reconcile Operating Loss to Net Cash |                         |
| Provided by Operating Activities                    |                         |
| Depreciation  | 272,058                 |
| Changes in Assets and Liabilities                   |                         |
| Increase in Receivables                             | (1,664)                 |
| Decrease in Accrued Payroll                         | (199)                   |
| Decrease in Unearned Revenue                        | (336)                   |
| Increase in Accounts Payable                        | <u>10,843</u>           |
| <b>Net Cash Provided by Operating Activities</b>    | <b><u>\$ 99,139</u></b> |

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Introduction**

The Town of Pearl River, Louisiana (the Town) was incorporated in 1906, under the provisions of the Lawrason Act, LRS 33:321. The Town operates under a Mayor-Board of Aldermen form of government. The Town provides police protection, maintenance of streets, and water and sewer services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of the Louisiana Revised Statutes (LRS) and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

#### **Note 1. Summary of Significant Accounting Policies**

##### **Reporting Entity**

Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformity with GASB Codification Section 2100, the Town includes all funds that are controlled by or dependent on the Town, which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the Town has determined that there are no component units that are part of the reporting entity.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds and the Town's proprietary funds. All individual governmental funds are reported as separate columns in the fund financial statements.

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, so, have been recognized as revenues of the current fiscal period. Ad valorem taxes are considered to be susceptible to accrual when levied. All other revenue items are considered to be measurable and available only when cash is received by the Town.

##### **Governmental Funds**

The Town reports the following major governmental funds:

##### ***General Fund***

The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from transfers from the special revenue funds, licenses and permits, local taxes, fines and forfeitures, charges for service, and interest income.

##### ***Special Revenue Funds***

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The Town's two special revenue funds account for the activities of its police and street departments.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

##### *Special Revenue Funds (Continued)*

Revenues for these funds derive from the following sales taxes:

1% of levy dedicated for constructing, re-surfacing, lighting, and improving public streets, sidewalks, and bridges; constructing, purchasing, improving, maintaining, and operating recreation facilities and equipment; constructing, acquiring, or improving land, buildings, and any work of permanent public improvement, including equipment and furnishings thereof; and installing and operating sewer and water systems, including disposal plants, lagoons, etc., title to which shall be in the public.

1% of levy dedicated to maintenance and operation of the police department, including acquisition of vehicles and equipment. On October 22, 2011, this sales tax was renewed for another 25 years.

¼% of levy dedicated for the purpose of all sewer maintenance and operations. This portion is deposited in the Utility Fund where sewer operations are accounted for.

##### **Proprietary Fund**

The Town also reports a proprietary fund which is used to account for the water and sewer services it provides to the residents and businesses of the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu-of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the Town's proprietary fund consist of charges to customers and users of its water and sewer services. Operating expenses for the Town's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **Impact of Recently Issued and Adopted Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of GASB 65 is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of the statement are effective for periods beginning after December 15, 2012. During 2013, the Town adopted the statement and applied the provisions by restating the Town's beginning net position and fund balance related to (1) bond issuance costs, that had previously been capitalized and amortized, but are no longer recognized as assets and (2) the collection of ad valorem taxes to reflect deferred inflows of resources in the fund financial statements. Due to the adoption of GASB 65, beginning net position decreased \$4,663 for the change in recognition of the unamortized portion of the asset associated with bond issuance costs. In addition, beginning fund balance for the general fund decreased by \$11,294, due to the limiting of the receivable for ad valorem taxes to the funds collected within the first 60 days of 2013. The remaining amount received after the first 60 days has been recorded as a deferred inflow - unavailable ad valorem taxes.

##### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. All annual appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting. All proposed budgets must be completed and submitted to the Town Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The Town adopted a budget on a basis consistent with accounting principles generally accepted in the United States of America for the following funds: General Fund and each Special Revenue Fund. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Town follows these procedures in establishing the budgetary data reflected in this statement:

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1<sup>st</sup> of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Budgets and Budgetary Accounting (Continued)**

- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office, or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency, or fund must be approved by the Board of Aldermen.

##### **Deposits and Investments**

Cash includes amounts in demand deposits.

Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town was in compliance with the deposit and investment laws and regulations at December 31, 2013.

Cash and cash equivalents consist of cash, as defined above, including restricted cash.

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by GASB Statement No. 31, are reported at fair value, which is determined using published market prices.

##### **Accounts Receivable**

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollectible amounts due for customers' utility receivables and ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable. The allowance was \$4,000 for utility receivables and \$12,955 for ad valorem taxes receivable at December 31, 2013.



## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, the Town is a Phase III government and, as such, is not required to capitalize its infrastructure retroactively. The Town has elected to record its infrastructure on a prospective basis. The Town has capitalized its water and sewer infrastructure. The Town capitalizes interest on construction in its proprietary fund. Capital outlays of the proprietary fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds' basis and the government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| Description                               | Estimated Useful Lives |
|---|------------------------|
| Infrastructure                            | 40 Years               |
| Buildings and Improvements                | 15 - 40 Years          |
| Water and Sewer System                    | 30 Years               |
| Furniture, Fixtures, and Office Equipment | 7 Years                |
| Vehicles                                  | 5 Years                |
| Machinery and Equipment                   | 5 - 15 Years           |

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Fund Equity**

###### *Government-Wide and Proprietary Fund Statements*

Equity is classified as net position and displayed in three components:

1. **Net Investment in Capital Assets** - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted Net Position** - Net position with constraints placed on their use either by:
  - a. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
  - b. Law through constitutional provisions or enabling legislation.
3. **Unrestricted Net Position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Town's policy is to apply restricted net position first.

###### *Governmental Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

1. **Restricted Fund Balance** - Amounts that are restricted to specific purposes imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
2. **Unassigned Fund Balance** - All amounts not included in other spendable classifications.

##### **Interfund Transactions**

Permanent re-allocation of resources between funds of the Town is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF PEARL RIVER, LOUISIANA****Notes to Financial Statements**

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**Note 2. Cash and Cash Equivalents**

At December 31, 2013, cash and cash equivalents were as follows:

|                | <b>Carrying<br/>Amount</b> | <b>Bank<br/>Balance</b> |
|----------------|----------------------------|-------------------------|
| Demand Deposit | \$ 1,952,252               | \$ 2,091,334            |
| Time Deposit   | 775                        | 775                     |
| <b>Total</b>   | <b>\$ 1,953,027</b>        | <b>\$ 2,092,109</b>     |

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$1,841,334 of the Town's bank balance of \$2,092,109 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the Town and the fiscal agent.

Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

**Note 3. Receivables**

Net receivables of governmental funds at December 31, 2013, were as follows:

|                   | <b>General<br/>Fund</b> | <b>Police<br/>Fund</b> | <b>Street<br/>Fund</b> | <b>Total</b>      |
|-------------------|-------------------------|------------------------|------------------------|-------------------|
| Ad Valorem Taxes  | \$ 102,112              | \$ -                   | \$ 73,038              | \$ 175,150        |
| Sales Taxes       | -                       | 49,470                 | 74,206                 | 123,676           |
| Other Receivables | 58,344                  | -                      | -                      | 58,344            |
| <b>Total</b>      | <b>\$ 160,456</b>       | <b>\$ 49,470</b>       | <b>\$ 147,244</b>      | <b>\$ 357,170</b> |

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

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#### Note 4. Ad Valorem Taxes

Property taxes are normally levied and billed in December of each year and are delinquent on January 1<sup>st</sup> of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. For the year ended December 31, 2013, property taxes levied were 5.83 mills for general purposes and 4.17 mills for street improvement.

#### Note 5. Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2013:

| <b>Governmental Activities</b>                         | <b>Balance<br/>January 1,<br/>2013</b> | <b>Increases</b>  | <b>Decreases</b>   | <b>Balance<br/>December 31,<br/>2013</b> |
|--|--|-------------------|--------------------|--|
| <b>Capital Assets Not Being Depreciated</b>            |  |                   |                    |  |
| Land   | \$ 104,377                             | \$ -              | \$ -               | \$ 104,377                               |
| <b>Capital Assets Being Depreciated</b>                |  |                   |                    |  |
| Infrastructure   | 578,812                                | 102,340           | -                  | 681,152                                  |
| Buildings and Improvements                             | 354,035                                | -                 | -                  | 354,035                                  |
| Machinery and Equipment                                | 677,573                                | 32,426            | -                  | 709,999                                  |
| Furniture, Fixtures, and Office Equipment              | 48,836                                 | -                 | -                  | 48,836                                   |
| Vehicles   | 295,592                                | 159,791           | (68,615)           | 386,768                                  |
| <b>Total Capital Assets Being Depreciated</b>          | <b>1,954,848</b>                       | <b>294,557</b>    | <b>(68,615)</b>    | <b>2,180,790</b>                         |
| <b>Less Accumulated Depreciation for:</b>              |  |                   |                    |  |
| Infrastructure   | (132,029)                              | (21,313)          | -                  | (153,342)                                |
| Buildings and Improvements                             | (219,155)                              | (5,557)           | -                  | (224,712)                                |
| Machinery and Equipment                                | (496,397)                              | (36,957)          | -                  | (533,354)                                |
| Furniture, Fixtures, and Office Equipment              | (60,974)                               | -                 | -                  | (60,974)                                 |
| Vehicles   | (210,978)                              | (59,771)          | 49,631             | (221,118)                                |
| <b>Total Accumulated Depreciation</b>                  | <b>(1,119,533)</b>                     | <b>(123,598)</b>  | <b>49,631</b>      | <b>(1,193,500)</b>                       |
| <b>Total Capital Assets Being<br/>Depreciated, Net</b> | <b>835,315</b>                         | <b>170,959</b>    | <b>(18,984)</b>    | <b>987,290</b>                           |
| <b>Capital Assets, Net</b>                             | <b>\$ 939,692</b>                      | <b>\$ 170,959</b> | <b>\$ (18,984)</b> | <b>\$ 1,091,667</b>                      |

# TOWN OF PEARL RIVER, LOUISIANA

## Notes to Financial Statements

### Note 5. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

|                    |                   |
|--------------------|-------------------|
| General Government | \$ 31,851         |
| Public Works       | 45,237            |
| Public Safety      | 35,126            |
| Recreation         | 11,384            |
| <b>Total</b>       | <b>\$ 123,598</b> |

| <b>Business-Type Activities</b>                        | <b>Balance<br/>January 1,<br/>2013</b> | <b>Increases</b>   | <b>Decreases</b>     | <b>Balance<br/>December 31,<br/>2013</b> |
|--|--|--------------------|----------------------|--|
| <b>Capital Assets Not Being Depreciated</b>            |  |                    |                      |  |
| Land   | \$ 68,609                              | \$ -               | \$ -                 | \$ 68,609                                |
| Construction in Progress                               | 2,822,831                              | 956,727            | (1,970,490)          | 1,809,068                                |
| <b>Total Capital Assets Not Being<br/>Depreciated</b>  | <b>2,891,440</b>                       | <b>956,727</b>     | <b>(1,970,490)</b>   | <b>1,877,677</b>                         |
| <b>Capital Assets Being Depreciated</b>                |  |                    |                      |  |
| Water System and Equipment                             | 3,749,836                              | 1,898,358          | -                    | 5,648,194                                |
| Sewer System and Equipment                             | 4,580,532                              | 203,507            | -                    | 4,784,039                                |
| Machinery and Equipment                                | 222,357                                | 19,041             | -                    | 241,398                                  |
| <b>Total Capital Assets Being Depreciated</b>          | <b>8,552,725</b>                       | <b>2,120,906</b>   | <b>-</b>             | <b>10,673,631</b>                        |
| <b>Less Accumulated Depreciation for:</b>              |  |                    |                      |  |
| Water System and Equipment                             | (1,345,148)                            | (119,976)          | -                    | (1,465,124)                              |
| Sewer System and Equipment                             | (3,070,962)                            | (140,633)          | -                    | (3,211,595)                              |
| Machinery and Equipment                                | (211,662)                              | (11,449)           | -                    | (223,111)                                |
| <b>Total Accumulated Depreciation</b>                  | <b>(4,627,772)</b>                     | <b>(272,058)</b>   | <b>-</b>             | <b>(4,899,830)</b>                       |
| <b>Total Capital Assets Being<br/>Depreciated, Net</b> | <b>3,924,953</b>                       | <b>1,848,848</b>   | <b>-</b>             | <b>5,773,801</b>                         |
| <b>Capital Assets, Net</b>                             | <b>\$6,816,393</b>                     | <b>\$2,805,575</b> | <b>\$(1,970,490)</b> | <b>\$ 7,651,478</b>                      |

### Note 6. Deferred Compensation

Certain employees of the Town participate in the Louisiana Public Employees' Deferred Compensation Plan (the Plan) adopted under the provisions of the Internal Revenue Code, Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

# TOWN OF PEARL RIVER, LOUISIANA

## Notes to Financial Statements

### Note 7. Long-Term Liabilities

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2013:

|   | Revenue       |                             | Total        |
|---|---------------|-----------------------------|--------------|
|   | Utility Bonds | Certificate of Indebtedness |              |
| Bonds and Certificates at January 1, 2013   | \$ 460,797    | \$ 80,925                   | \$ 541,722   |
| Additions                                   | 804,875       | -                           | 804,875      |
| Bond and Certificate Payments               | (134,359)     | (39,700)                    | (174,059)    |
| Bonds and Certificates at December 31, 2013 | \$ 1,131,313  | \$ 41,225                   | \$ 1,172,538 |
| Amount Due Within One Year                  | \$ 42,000     | \$ 41,225                   | \$ 83,225    |

The following is a summary of long-term liabilities of the Town for the year ended December 31, 2013:

|  |                     |
|--|---------------------|
| \$350,000 Certificate of Indebtedness dated March 1, 2004, due in annual installments, with semi-annual interest payments at 3.84% per annum through March 1, 2014, secured by the revenues of the proprietary fund.   | \$ 41,225           |
| \$1,800,000 Sales Tax Bond revolving loan fund payable to the Environmental Protection Agency with semi-annual principal payments of \$21,000, with interest payable at 2.95% and an administrative fee of .50%, maturing on March 1, 2032, secured by the revenues of the proprietary fund. | 1,131,313           |
| <b>Total</b>   | <b>\$ 1,172,538</b> |

The future debt service requirements are as follows:

|              | Utility Bonds    |                 | Certificates of Indebtedness |                   | Total               |                   |
|--------------|------------------|-----------------|------------------------------|-------------------|---------------------|-------------------|
|              | Principal        | Interest        | Principal                    | Interest          | Principal           | Interest          |
| 2014         | \$ 41,225        | \$ 1,583        | \$ 42,000                    | \$ 38,946         | \$ 83,225           | \$ 40,529         |
| 2015         | -                | -               | 42,000                       | 37,487            | 42,000              | 37,487            |
| 2016         | -                | -               | 42,000                       | 36,028            | 42,000              | 36,028            |
| 2017         | -                | -               | 42,000                       | 34,569            | 42,000              | 34,569            |
| 2018         | -                | -               | 42,000                       | 33,109            | 42,000              | 33,109            |
| 2019 - 2023  | -                | -               | 210,000                      | 117,842           | 210,000             | 117,842           |
| 2023 - 2028  | -                | -               | 210,000                      | 114,465           | 210,000             | 114,465           |
| 2028 - 2032  | -                | -               | 501,313                      | 113,503           | 501,313             | 113,503           |
| <b>Total</b> | <b>\$ 41,225</b> | <b>\$ 1,583</b> | <b>\$ 1,131,313</b>          | <b>\$ 525,949</b> | <b>\$ 1,172,538</b> | <b>\$ 527,532</b> |

**TOWN OF PEARL RIVER, LOUISIANA****Notes to Financial Statements**

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**Note 8. Capital Lease Obligation**

This year, the Town entered into a lease agreement as lessee for financing the acquisition of vehicles valued at \$100,658. The vehicles have a five year estimated useful life. This year, \$15,099 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

| <b>Year ending December 31</b>          | <b>Government<br/>al Activities</b> |
|---|-------------------------------------|
| 2014                                    | \$ 35,526                           |
| 2015                                    | 35,526                              |
| Total Minimum Lease Payments            | 71,052                              |
| Less: Amount Representing Interest      | (5,920)                             |
| Present Value of Minimum Lease Payments | <u>\$ 65,132</u>                    |

**Note 9. Interfund Receivables/Payables**

Due to/from other funds at December 31, 2013, were as follows:

| <b>Fund</b>          | <b>Interfund<br/>Receivables</b> | <b>Interfund<br/>Payables</b> |
|----------------------|----------------------------------|-------------------------------|
| General Fund         | \$ -                             | \$ 163,495                    |
| Special Revenue Fund |                                  |                               |
| Police               | 5,462                            | 9,294                         |
| Street               | 441,804                          | -                             |
| Proprietary Fund     | -                                | 274,477                       |
| <b>Total</b>         | <u>\$ 447,266</u>                | <u>\$ 447,266</u>             |

The above due to/from other funds were short-term receivables or payables resulting from the normal course of the Town's operations.

## TOWN OF PEARL RIVER, LOUISIANA

### Notes to Financial Statements

#### Note 10. Interfund Transfers

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2013:

|                       | Transfers In:    |                   |                  |                  | Total             |
|-----------------------|------------------|-------------------|------------------|------------------|-------------------|
|                       | General Fund     | Police Fund       | Street Fund      | Proprietary Fund |                   |
| <b>Transfers Out:</b> |                  |                   |                  |                  |                   |
| General Fund          | \$ -             | \$ 144,092        | \$ -             | \$ 22,083        | \$ 166,175        |
| Street Fund           | 25,821           | -                 | -                | -                | 25,821            |
| Police Fund           | -                | -                 | 11,753           | -                | 11,753            |
| Proprietary Fund      | -                | -                 | 369              | -                | 369               |
| <b>Total</b>          | <b>\$ 25,821</b> | <b>\$ 144,092</b> | <b>\$ 12,122</b> | <b>\$ 22,083</b> | <b>\$ 204,118</b> |

#### Note 11. Pension Plan

All full-time police department employees engaged in law enforcement who are not participating in another retirement system are required to participate in the Municipal Police Employees' Retirement System of Louisiana (the System). Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3⅓% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive months that produce the highest average. Employees who terminate with at least the amount of creditable service, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411.

Members of the System are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 31.00% of annual covered payroll. The contribution requirements of System members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ended December 31, 2013, 2012, and 2011, were \$16,250, \$16,127, and \$13,973, respectively, equal to the required contributions for each year.



## **TOWN OF PEARL RIVER, LOUISIANA**

### **Notes to Financial Statements**

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#### **Note 12. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2013, the Town carried insurance through various commercial carriers to cover all risks of loss, except for the risk of loss of assets relating to certain vehicles and equipment. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### **Note 13. Construction Commitment**

During the year ended December 31, 2013, the Town entered into construction contracts totaling \$536,510, of which \$80,663 remained to be paid at December 31, 2013.

#### **Note 14. Excess of Expenditures Over Appropriations**

During the year ended December 31, 2013, the General Fund's actual expenditures of \$735,682 exceeded its budgeted appropriations of \$575,403, resulting in an unfavorable variance of \$160,279.

During the year ended December 31, 2013, the Special Revenue Police Fund's actual expenditures of \$957,772 exceeded its budgeted appropriations of \$796,454, resulting in an unfavorable variance of \$161,318.

During the year ended December 31, 2013, the Special Revenue Street Fund's actual expenditures of \$717,826 exceeded its budgeted appropriations of \$671,550, resulting in an unfavorable variance of \$46,276.

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - General Fund**  
**For the Year Ended December 31, 2013**

**Schedule 1**

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|----------------------------|-------------------------|---------------------------|---|
| <b>Revenues</b>  |                            |                         |                           |   |
| Taxes  |                            |                         |                           |   |
| Franchise  | \$ 130,000                 | \$ 130,000              | \$ 188,799                | \$ 58,799   |
| Ad Valorem Taxes   | 146,693                    | 180,000                 | 108,876                   | (71,124)  |
| Grants and Reimbursements  | -                          | -                       | 2,728                     | 2,728   |
| Fines and Forfeitures  | 350,000                    | 76,357                  | 113,110                   | 36,753  |
| Licenses and Permits   | 120,500                    | 120,500                 | 101,391                   | (19,109)  |
| Insurance Licenses   | 120,000                    | 120,000                 | 109,362                   | (10,638)  |
| Other Revenues   | 199,000                    | 219,000                 | 69,969                    | (149,031)   |
| Interest Income  | -                          | -                       | 600                       | 600   |
| <b>Total Revenues</b>  | <b>1,066,193</b>           | <b>845,857</b>          | <b>694,835</b>            | <b>(151,022)</b>  |
| <b>Expenditures</b>  |                            |                         |                           |   |
| General Government   |                            |                         |                           |   |
| Salaries   | 92,000                     | 92,000                  | 107,371                   | (15,371)  |
| Insurance  | 23,832                     | 23,832                  | 74,775                    | (50,943)  |
| Professional Fees  | 53,000                     | 53,000                  | 68,362                    | (15,362)  |
| Aldermen   | 54,000                     | 54,000                  | 54,000                    | -   |
| Utilities  | 40,000                     | 40,000                  | 47,882                    | (7,882)   |
| Miscellaneous  | 319,336                    | 29,000                  | 18,298                    | 10,702  |
| Office   | 19,000                     | 19,000                  | 17,268                    | 1,732   |
| Repairs and Maintenance  | 39,000                     | 39,000                  | 15,304                    | 23,696  |
| Health Insurance   | 140,000                    | 140,000                 | 10,951                    | 129,049   |
| Beautification   | 20,000                     | 10,000                  | 9,733                     | 267   |
| Animal Control   | 9,000                      | 9,000                   | 9,600                     | (600)   |
| Payroll Taxes  | 9,686                      | 9,686                   | 7,524                     | 2,162   |
| Retirement   | 20,550                     | 20,550                  | 6,835                     | 13,715  |
| Dues and Convention  | 6,000                      | 6,000                   | 6,610                     | (610)   |
| Museum   | 8,280                      | 8,280                   | 3,631                     | 4,649   |
| Council Clerk  | 3,600                      | 3,600                   | 3,600                     | -   |
| Vehicle  | 1,000                      | 1,000                   | 3,310                     | (2,310)   |
| Senior Citizen   | 3,600                      | 3,600                   | 2,966                     | 634   |
| Workmen's Compensation   | 855                        | 855                     | 1,365                     | (510)   |
| Veterans Memorial  | 3,000                      | 3,000                   | 600                       | 2,400   |
| Recreation   | 30,000                     | 10,000                  | 53,848                    | (43,848)  |
| Capital Outlay   | -                          | -                       | 45,675                    | (45,675)  |
| <b>Total Expenditures</b>  | <b>895,739</b>             | <b>575,403</b>          | <b>569,508</b>            | <b>5,895</b>  |
| <b>Excess of Revenues Over<br/>Expenditures</b>                          | <b>170,454</b>             | <b>270,454</b>          | <b>125,327</b>            | <b>(145,127)</b>  |
| <b>Other Financing Sources (Uses)</b>                                    |                            |                         |                           |   |
| Transfers In   | -                          | -                       | 25,821                    | 25,821  |
| Transfers Out  | (60,454)                   | -                       | (166,174)                 | 166,174   |
| <b>Total Other Financing Sources (Uses)</b>                              | <b>(60,454)</b>            | <b>-</b>                | <b>(140,353)</b>          | <b>191,995</b>  |
| <b>Net Change in Fund Balance</b>  | <b>\$ 110,000</b>          | <b>\$ 270,454</b>       | <b>(15,026)</b>           | <b>\$ 46,868</b>  |
| <b>Fund Balance, Beginning of Year, as Previously Reported</b>           |                            |                         | 420,780                   |   |
| <b>Cumulative Effect of Change from Adoption of Accounting Principle</b> |                            |                         | (11,294)                  |   |
| <b>Fund Balance, Beginning of Year, as Restated</b>                      |                            |                         | 409,486                   |   |
| <b>Fund Balance, End of Year</b>   |                            |                         | <b>\$ 394,460</b>         |   |

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - Police**  
**For the Year Ended December 31, 2013**

**Schedule 2**

|   | Original<br>Budget | Final<br>Budget    | Actual<br>Amounts | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|-------------------|---|
| <b>Revenues</b>                                     |                    |                    |                   |   |
| Sales Taxes   | \$ 650,000         | \$ 550,000         | \$ 528,829        | \$ (21,171)   |
| Grants and Reimbursements                           | 51,000             | 51,000             | 53,806            | 2,806   |
| Fines and Forfeitures                               | 60,454             | 160,454            | 95,114            | (65,340)  |
| Licenses and Permits                                | -                  | -                  | 14,345            | 14,345  |
| Other Revenues                                      | -                  | -                  | 1,519             | 1,519   |
| Interest Income                                     | -                  | -                  | 22                | 22  |
| <b>Total Revenues</b>                               | <b>761,454</b>     | <b>761,454</b>     | <b>693,635</b>    | <b>(67,819)</b>   |
| <b>Expenditures</b>                                 |                    |                    |                   |   |
| Public Safety                                       |                    |                    |                   |   |
| Salaries  | 467,440            | 467,440            | 479,261           | (11,821)  |
| Health Insurance                                    | -                  | -                  | 55,492            | (55,492)  |
| Gas and Oil   | 68,000             | 68,000             | 54,755            | 13,245  |
| Retirement  | 50,300             | 50,300             | 43,522            | 6,778   |
| Payroll Taxes                                       | 50,531             | 50,531             | 42,144            | 8,387   |
| Workmen's Compensation                              | 34,103             | 34,103             | 37,828            | (3,725)   |
| Office  | 8,000              | 8,000              | 24,824            | (16,824)  |
| Repairs and Maintenance                             | 17,600             | 17,600             | 21,750            | (4,150)   |
| Training  | 6,060              | 6,060              | 15,304            | (9,244)   |
| Miscellaneous                                       | 15,000             | 15,000             | 13,023            | 1,977   |
| Communications                                      | 10,500             | 10,500             | 10,327            | 173   |
| Insurance   | 23,920             | 23,920             | 1,680             | 22,240  |
| Prisoner Meals                                      | 3,000              | 3,000              | 248               | 2,752   |
| Court Expense                                       | 2,000              | 2,000              | 178               | 1,822   |
| Debt Service  | 40,000             | 40,000             | 35,526            | 4,474   |
| Capital Outlay                                      | -                  | -                  | 110,157           | (110,157)   |
| <b>Total Expenditures</b>                           | <b>796,454</b>     | <b>796,454</b>     | <b>946,019</b>    | <b>(149,565)</b>  |
| <b>Deficiency of Revenues<br/>Over Expenditures</b> | <b>(35,000)</b>    | <b>(35,000)</b>    | <b>(252,384)</b>  | <b>(217,384)</b>  |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                   |   |
| Transfers In  | 60,454             | -                  | 144,092           | 144,092   |
| Transfers Out                                       | -                  | -                  | (11,753)          | (11,753)  |
| Proceeds of Capital Lease                           | -                  | -                  | 100,658           | 100,658   |
| <b>Total Other Financing Sources (Uses)</b>         | <b>60,454</b>      | <b>-</b>           | <b>232,997</b>    | <b>232,997</b>  |
| <b>Net Change in Fund Balance</b>                   | <b>\$ 25,454</b>   | <b>\$ (35,000)</b> | <b>(19,387)</b>   | <b>\$ 15,613</b>  |
| <b>Fund Balance, Beginning of Year</b>              |                    |                    | <b>35,479</b>     |   |
| <b>Fund Balance, End of Year</b>                    |                    |                    | <b>\$ 16,092</b>  |   |

**TOWN OF PEARL RIVER, LOUISIANA**  
**Schedule of Revenues, Expenditures and**  
**Change in Fund Balance - Budget and**  
**Actual - Street**  
**For the Year Ended December 31, 2013**

**Schedule 3**

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|----------------------------|-------------------------|---------------------------|---|
| <b>Revenues</b>  |                            |                         |                           |   |
| Taxes  |                            |                         |                           |   |
| Sales Taxes  | \$ 650,000                 | \$ 550,000              | \$ 793,241                | \$ 243,241  |
| Ad Valorem Taxes   | -                          | -                       | 71,485                    | 71,485  |
| Grants   | 6,550                      | 6,550                   | 16,177                    | 9,627   |
| Other Revenues   | 5,000                      | 5,000                   | 3,168                     | (1,832)   |
| Interest Income  | -                          | -                       | 605                       | 605   |
| <b>Total Revenues</b>  | <b>661,550</b>             | <b>561,550</b>          | <b>884,676</b>            | <b>323,126</b>  |
| <b>Expenditures</b>  |                            |                         |                           |   |
| Public Works   |                            |                         |                           |   |
| Salaries   | 317,128                    | 317,128                 | 303,526                   | 13,602  |
| Equipment Repairs and Maintenance                            | 60,000                     | 60,000                  | 76,570                    | (16,570)  |
| Street Lights  | 50,000                     | 50,000                  | 50,831                    | (831)   |
| Workmen's Compensation                                       | 41,932                     | 41,932                  | 36,908                    | 5,024   |
| Health Insurance   | -                          | -                       | 35,075                    | (35,075)  |
| Payroll Taxes  | 26,501                     | 26,501                  | 23,927                    | 2,574   |
| Gas and Oil  | 20,000                     | 20,000                  | 18,515                    | 1,485   |
| Miscellaneous  | 14,000                     | 14,000                  | 11,372                    | 2,628   |
| Retirement   | 16,529                     | 16,529                  | 9,795                     | 6,734   |
| Supplies   | 10,000                     | 10,000                  | 5,645                     | 4,355   |
| Insurance  | 10,000                     | 10,000                  | 100                       | 9,900   |
| Capital Outlay   | 205,460                    | 105,460                 | 119,741                   | (14,281)  |
| <b>Total Expenditures</b>                                    | <b>771,550</b>             | <b>671,550</b>          | <b>692,005</b>            | <b>(20,455)</b>   |
| <b>(Deficiency) Excess of Revenues<br/>Over Expenditures</b> | <b>(110,000)</b>           | <b>(110,000)</b>        | <b>192,671</b>            | <b>302,671</b>  |
| <b>Other Financing Sources (Uses)</b>                        |                            |                         |                           |   |
| Transfers In   | -                          | -                       | 12,122                    | 12,122  |
| Transfers Out  | -                          | -                       | (25,821)                  | (25,821)  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>                   | <b>-</b>                | <b>(13,699)</b>           | <b>(13,699)</b>   |
| <b>Net Change in Fund Balance</b>                            | <b>\$ (110,000)</b>        | <b>\$ (110,000)</b>     | <b>178,972</b>            | <b>\$ 288,972</b>   |
| <b>Fund Balance, Beginning of Year</b>                       |                            |                         | <b>812,454</b>            |   |
| <b>Fund Balance, End of Year</b>                             |                            |                         | <b>\$ 991,426</b>         |   |

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF PEARL RIVER, LOUISIANA**  
**Proprietary Fund**  
**Schedule of Operating Expenses**  
**For the Year Ended December 31, 2013**

**Other Supplementary Information**  
**Schedule 4**

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**Administrative and General Expenses**

|                        |              |
|------------------------|--------------|
| Office Expense         | \$ 19,425    |
| Health Insurance       | 12,286       |
| Salaries               | 10,564       |
| Payroll Taxes          | 8,362        |
| Workmen's Compensation | 5,535        |
| Professional Fees      | 5,375        |
| Retirement             | 4,267        |
| Education and Training | 2,202        |
| Bank and NSF Charges   | <u>2,063</u> |

|  |                         |
|--|-------------------------|
| <b>Total Administrative and General Expenses</b> | <b><u>\$ 70,079</u></b> |
|--|-------------------------|

**Sewer System Expenses**

|                         |            |
|-------------------------|------------|
| Utilities               | \$ 132,241 |
| Other                   | 47,388     |
| Lab Testing             | 3,550      |
| Repairs and Maintenance | <u>677</u> |

|                                    |                          |
|------------------------------------|--------------------------|
| <b>Total Sewer System Expenses</b> | <b><u>\$ 183,856</u></b> |
|------------------------------------|--------------------------|

**Water System Expenses**

|                           |            |
|---------------------------|------------|
| Salaries                  | \$ 95,754  |
| Repairs and Maintenance   | 49,034     |
| Water Meters and Hydrants | <u>898</u> |

|                                    |                          |
|------------------------------------|--------------------------|
| <b>Total Water System Expenses</b> | <b><u>\$ 145,686</u></b> |
|------------------------------------|--------------------------|

**TOWN OF PEARL RIVER, LOUISIANA  
Schedule of Compensation Paid to the  
Members of the Board of Aldermen  
For the Year Ended December 31, 2013**

**Other Supplementary Information  
Schedule 5**

| <b>Board of Aldermen</b>   | <b>Term of Office</b> | <b>Compensation</b> |
|--|-----------------------|---------------------|
| David McQueen<br>P.O. Box 371<br>Pearl River, LA 70452<br>(985) 863-2176     | December 31, 2014     | \$ 10,800           |
| Marie Crowe<br>35190 Highway 3081<br>Pearl River, LA 70452<br>(985) 863-9373 | December 31, 2014     | \$ 10,800           |
| Kathryn Walsh<br>39208 Gum Street<br>Pearl River, LA 70452<br>(985) 863-2254 | December 31, 2014     | \$ 10,800           |
| Ruby Gauley<br>39107 McQueen Road<br>Pearl River, LA 70452<br>(985) 863-7258 | December 31, 2014     | \$ 10,800           |
| Ella Brakefield<br>P.O. Box 1514<br>Pearl River, LA 70452<br>(985) 863-5438  | December 31, 2014     | \$ 10,800           |



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Honorable Mayor and  
Members of the Board of Aldermen  
Town of Pearl River, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013 - 1 and 2013 - 2.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013 - 3 and 2013 - 4.

**Town of Pearl River's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA  
June 26, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Alderman  
Town of Pearl River, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Pearl River, Louisiana's (the Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2013. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

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**Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described as item 2013 - 5 in the accompanying schedule of findings and questioned costs. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "LaPorte".

A Professional Accounting Corporation

Covington, LA  
June 26, 2014

**TOWN OF PEARL RIVER, LOUISIANA**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2013**

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| <b>Federal Grantor/Pass-Through Grantor<br/>Program Title</b>            | <b>CFDA<br/>Number</b> | <b>Expenditures</b>        |
|--|------------------------|----------------------------|
| <b>United States Department of Housing and Urban Development</b>         |                        |                            |
| Passed through the Louisiana Office of Community Development             |                        |                            |
| Community Development Block Grant  | 14.218                 | \$ 123,781                 |
| <b>United States Environmental Protection Agency</b>                     |                        |                            |
| Passed through the State of Louisiana Department of Health and Hospitals |                        |                            |
| Capitalization Grants for Clean Water State Revolving Funds              | 66.458                 | <u>1,149,821</u>           |
| <b>Total</b>   |                        | <u><b>\$ 1,273,602</b></u> |

Notes to the Schedule of Expenditures of Federal Awards

- A. The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.
- B. The following is a reconciliation of total federal grant expenditures to the federal grant revenues reported on page 13 of the financial statements:

|   |                          |
|---|--------------------------|
| Total Federal Expenditures  | \$ 1,273,602             |
| Loan Portion of Bonds Payable for Clean Water State Revolving Funds | <u>(804,875)</u>         |
| <b>Total Capital Contributions on Statement H</b>                   | <u><b>\$ 468,727</b></u> |

## TOWN OF PEARL RIVER, LOUISIANA

### Schedule of Findings and Questioned Costs For the Year Ended December 31, 2013

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#### A. Summary of Auditor's Results

##### Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Pearl River, Louisiana (the Town).
2. Material weaknesses relating to the audit of the financial statements of the Town were disclosed during the audit.
3. Instances of noncompliance material to the financial statements of the Town were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the Town are reported in Part C of this schedule.
7. The programs tested as major programs included:

| <u>Program</u>  | <u>CFDA No.</u> |
|---|-----------------|
| Capitalization Grants for Clean Water State Revolving Funds | 66.458          |

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Town was not determined to be a low-risk auditee.

## **TOWN OF PEARL RIVER, LOUISIANA**

### **Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2013**

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#### **B. Findings and Questioned Costs Related to the Financial Statements**

##### **2013 - 1 Financial Statement Preparation**

|                               |  |
|-------------------------------|--|
| <i>Criteria:</i>              | Effective controls over financial reporting require that the Town's financial statements be prepared without material misstatements.   |
| <i>Condition:</i>             | During the year ended December 31, 2013, material audit adjusting entries were necessary to adjust account balances to actual.   |
| <i>Cause:</i>                 | Unknown.   |
| <i>Effect:</i>                | Internal financial statements contained material misstatements.  |
| <i>Recommendation:</i>        | Currently, the Town's monthly financial statements are prepared by a local CPA firm. We recommend that the Town work with that firm in ensuring effective communication so that monthly financial statements will be materially correct. |
| <i>Management's Response:</i> | The Town will discuss this matter with its CPA firm and make changes necessary to ensure that financial statements are materially correct.   |

##### **2013 - 2 Legislative Auditor Audit**

|                   |  |
|-------------------|--|
| <i>Criteria:</i>  | Article 7, Section 14, of the Louisiana Constitution prohibits personal use of public funds.   |
| <i>Condition:</i> | <p>The Louisiana Legislative Auditors performed an audit of certain transactions of the Town and released their report on May 21, 2014. Their report can be found at <a href="http://www.la.la.gov">www.la.la.gov</a>. The report identified the following:</p> <ol style="list-style-type: none"><li>1) Personal Use of Town Equipment - Mayor James Lavigne and Police Chief Benjamin Raynor purchased equipment totaling \$6,495 that was not necessary for Town operations and appear to have used the equipment for personal purposes. By purchasing unnecessary equipment and using it for personal purposes, Mayor Lavigne and Chief Raynor may have violated the Louisiana Constitution and state law.</li></ol> |



## **TOWN OF PEARL RIVER, LOUISIANA**

### **Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2013**

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- 2) **Personal Use of Town Funds** - From December 2011 to July 2013, Town Clerk Diane Bennett and Mayor James Lavigne used Town funds totaling \$6,261 to make personal purchases. This amount included purchases totaling \$5,215 made by Ms. Bennett and \$1,046 by Mayor Lavigne. Town records indicate that Ms. Bennett and Mayor Lavigne reimbursed the Town for these purchases. Ms. Bennett and Mayor Lavigne both stated they used Town funds for personal purchases in order to avoid paying sales taxes. By using public funds for personal purposes and failing to pay sales taxes, Ms. Bennett and Mayor Lavigne may have violated the Louisiana Constitution and state law.
- 3) **Town Clerk Received Extra Payroll Checks** - From March 30, 2012 to August 30, 2013, Ms. Bennett received eight extra payroll checks totaling \$7,896. Ms. Bennett could not provide documentation to indicate that she was entitled to receive these extra payroll checks. By receiving checks she was not entitled to receive, Ms. Bennett may have violated Town ordinance and state law.
- 4) **Improper Gifts Provided to Mayor** - Robert Crain, the Town's tree-cutting contractor, provided free landscaping services for Mayor Lavigne, which may violate the state's ethics law.
- 5) **Town Employees Performed Services for Mayor and Town Clerk** - Town employees performed personal services for Mayor Lavigne and Ms. Bennett during their normal working hours. By using public resources for personal purposes, Mayor Lavigne and Ms. Bennett may have violated state law.
- 6) **Ethics - Prohibited Transaction** - On August 20, 2012, the Town's Police Department issued a payment in the amount of \$4,200 to Police Chief Benjamin Raynor's stepson, Jody Miller, for the purchase of an off-road vehicle. Although the check was issued to Chief Raynor's stepson, documents indicate that the vehicle was registered to Chief Raynor. Because state law prohibits Chief Raynor from entering into contracts with the Police Department, Chief Raynor may have violated the state's ethics law.
- 7) **Improper Christmas Bonuses** - From December 2011 to November 2013, the Town improperly paid Christmas bonuses totaling \$29,792 to Town employees and officials. The payment of Christmas bonuses may have violated the Louisiana Constitution. In addition, these bonus payments were falsely recorded as clothing allowances in the Town's annual budgets and financial statements. These actions may have violated state law.
- 8) **Additional Compensation Not Reported as Income** - The Town did not report additional compensation paid to Mayor Lavigne and Ms. Bennett as required by the Internal Revenue Service (IRS). In addition, we noted that some additional compensation paid to Mayor Lavigne and Ms. Bennett was paid before it was earned in possible violation of the Louisiana Constitution.

## TOWN OF PEARL RIVER, LOUISIANA

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2013

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- 9) Mayor's Use of Town Vehicle - The Town did not calculate and report the taxable fringe benefit of Mayor Lavigne's take-home vehicle and personal use as required by the IRS.
- 10) Questionable Vehicle Purchase - In March 2013, Mayor Lavigne traded in a newly purchased vehicle for another vehicle after one week, resulting in a loss of \$8,150. Because the Town did not receive equivalent value for the amount of the loss, Mayor Lavigne's actions may have violated the Louisiana Constitution and state law. Further, it appears that the Town did not comply with the public bid law in the purchase of either vehicle.

**Cause:** Inadequate procedures and internal controls over the use of public funds and equipment.

**Effect:** Possible misappropriation of public funds and violations of state law as well as inadequate internal controls over those processes.

**Recommendation:** The Legislative Auditor made the following recommendations:

- 1) We recommend that Town management implement a policy prohibiting the personal use of Town property and equipment. We further recommend that Town management (1) maintain a complete and accurate record of all Town assets and equipment; (2) implement procedures to determine the necessity of equipment prior to purchase; and (3) monitor the proper use, storage, and maintenance of equipment.
- 2) We recommend that the Town adopt detailed policies and purchasing procedures for the use of Town funds. These policies should prohibit the personal use of Town funds and provide guidance for the business use of Town funds, as well as the supporting documentation expected to be maintained. This policy should require: (1) documentation of the business purpose for the expenditure; (2) itemized receipts for meals, as well as a list of people attending the meals; (3) timely submission of original receipts; and (4) disciplinary action for noncompliance.
- 3) We recommend that the Town adopt detailed policies and procedures to ensure that public funds are spent in accordance with Town ordinance and state law. In addition, the Town should: (1) seek reimbursement for improper payments made to Ms. Bennett; (2) discontinue the practice of allowing employees to be paid for unused leave; (3) implement an electronic system to account for employee leave earned, accrued, and taken; and (4) require that time and attendance records are maintained for all employees and approved by an immediate supervisor.
- 4) We recommend that the Town implement a policy prohibiting Town officials and employees from receiving gifts or gratuities or anything of economic value from vendors or contractors who have, or are seeking to obtain, business with the Town.

## TOWN OF PEARL RIVER, LOUISIANA

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2013

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- 5) We recommend that Town management implement written policies to ensure that public resources are used solely for public purposes. These policies should prohibit Town employees from performing services for which there is no public purpose.
- 6) We recommend the Town consult with legal counsel and the Louisiana Board of Ethics on the legality of this transaction. The Town should also adopt detailed ethics policies and procedures that include requiring all employees to attend yearly ethics training in accordance with state law.
- 7) The Town should (1) seek reimbursement for improper bonus payments made to Town officials and employees; (2) comply with the Louisiana Constitution and cease paying bonuses; and (3) always provide complete and accurate information in the Town's annual budgets and financial statements.
- 8) The Town should (1) implement written policies and procedures to ensure that all employee compensation is properly processed and reported to the IRS; (2) amend employees' earnings previously reported to the IRS to properly include amounts not reported; and (3) discontinue the practice of paying compensation to employees prior to the services being performed.
- 9) We recommend that the Town amend Mayor Lavigne's earnings previously reported to the IRS to properly include the fringe benefit value of his take-home vehicle. We further recommend that the Town implement written policies and procedures to ensure that Town vehicles are used only for public purposes.
- 10) We recommend that the Town implement written policies and procedures to ensure that public funds are spent in accordance with the Louisiana Constitution and state law.

*Management's  
Response:*

Management responded to the Louisiana Legislative Auditor Investigative Audit report in a letter dated May 6, 2014. This response can be found on the Louisiana Legislative Auditor's website.

### 2013 - 3 Public Bid Law and Disposal of Surplus Property

*Criteria:*

The Louisiana Revised Statutes provide for four ways to dispose of surplus movable property by a government: by public auction open to private persons (LRS 49:125), at private sale with an appraised value of \$5,000 or less (LRS 33:4712(F)), by internet sale (LRS 33:4711.1), or by sale to another public entity (LRS 33:1321).

*Condition:*

We noted that during the year, the Town traded a vehicle in while purchasing a new vehicle. This method of disposing of surplus property does not meet one of the four methods noted above. In addition, the Town purchased three new vehicles without using the public bid process. The costs of these vehicles exceeded \$100,000.

## TOWN OF PEARL RIVER, LOUISIANA

### Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2013

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**Cause:** The cause of this condition appears to be a management oversight of the laws regarding the public bid process and disposal of surplus property.

**Effect:** Noncompliance with laws regarding disposal of surplus property.

**Recommendation:** We recommend the management of the Town review applicable state laws and ensure that future purchases and dispositions are transacted in compliance with said laws.

**Management's Response:** Future transactions will be conducted in accordance with applicable state laws.

#### 2013 - 4 Budget Variance

**Criteria:** LRS 39:1311 requires the Mayor to notify, in writing, the Board of Aldermen when actual expenditures exceed budgeted expenditures and budgeted revenues exceed actual revenues by five percent or more and that, upon notification, the Board of Aldermen adopt an amendment to the budget.

**Condition:** During testing of compliance with the provisions of certain laws, we noted that the actual revenues of the General Fund were less than the final budget by 15%, actual expenditures of the General Fund exceeded the final budget by 28%, actual expenditures of the Special Revenue Police Fund exceeded the final budget by 20%, and actual expenditures of the Special Revenue Street Fund exceeded the final budget by 7%.

**Cause:** The cause of this condition appears to be a management oversight.

**Effect:** Violation of LRS 39:1311.

**Recommendation:** The Town should closely monitor budget to actual comparison near year end so that required amendments are made.

**Management's Response:** The Town agrees with the finding and will closely monitor the budget so that all required amendments are made.

**TOWN OF PEARL RIVER, LOUISIANA**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2013**

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**C. Findings and Questioned Costs Related to Major Federal Award Programs**

**2013 - 5 Timely Payment of Vendors (66.458)**

*Criteria:* Code of Federal Regulations 31 CFR part 205 requires that payments to vendors be made in a timely manner.

*Condition:* During our testing for the year ended December 31, 2013, we noted that draws deposited on May 20, 2013, June 28, 2013, and August 5, 2013, were not paid to the vendors until August 29, 2013.

*Cause:* The cause of this condition appears to be a management oversight.

*Effect:* Noncompliance with cash management requirements.

*Recommendation:* We recommend that the Town make federal grant payments on a timely basis in the future.

*Management's Response:* Future transactions will be conducted in accordance with the cash management provisions of federal law.

**D. Management Letter**

None.

**TOWN OF PEARL RIVER, LOUISIANA**

**Schedule of Prior Year Findings  
For the Year Ended December 31, 2013**

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**2012 - 1 Financial Statement Preparation**

*Status:* This finding has not been resolved. See current year finding 2013 - 1 in Part B of the Schedule of Findings and Questioned Costs.